

no protest received
4/18/81P.O. Box 2508
Cincinnati, Ohio 45201

EP/EO

NOV 20 1981

Dear Sir or Madam:

CIN: EO: 820 299

We have considered your exemption application on Form 1024 as an organization described in section 501(c)(6) of the Internal Revenue Code of 1954.

The information submitted disclosed that you were incorporated on [REDACTED], under the not-for-profit laws of the State of [REDACTED]. Your purposes as set forth in Article III of the Articles of Incorporation are:

1. The consolidation and/or distribution of freight for the members of the corporation, on a non-profit basis, for the purpose of securing the benefits of carload, truckload or other volume freight rates. The purpose shall have the meaning as used in U.S. Code, Title 49, Subtitle IV-Interstate Commerce, Section 10562 (3).
2. As incidental to the foregoing purpose, the corporation may:
 - A. Develop and promote an interchange among its members of ideas, methods and information concerning traffic, transportation and distribution matters;
 - B. Encourage and support the establishment and maintenance of just and reasonable transportation rates, charges and practices;
 - C. Purchase, sell and lease equipment and property of any kind;
 - D. Borrow money and in connection therewith execute and deliver evidences of indebtedness and instruments of security;
 - E. Solicit members of the corporation;
 - F. Do any and all things which may be necessary in connection with the foregoing insofar as the same are permitted by law.

The application for recognition of exemption indicates that the primary activity of the organization will be to "...gather less than truck-load size shipments from member companies, consolidate them into full truck loads, coordinate shipping and delivery."

DATE	INITIATOR	REVIEWER	REVIEWER	REVIEWER	REVIEWER	REVIEWER
10-27-81	10-28-81	11-19-81				

It further indicates that the pooling of shipments will result in lower truck and rail rates for members and fees received from member companies will be used to pay freight bills and administrative costs.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues, Chambers of Commerce, real estate boards, or boards of trade, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. Thus, its activities should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons. An organization whose purpose is to engage in a regular business of a kind ordinarily carried on for a profit, even though the business is conducted on a cooperative basis or produces only sufficient income to be self sustaining, is not a business league.

Revenue Ruling 68-264, 1968-1 C.B. 264 states, in part, that an organization operating as its primary activity a traffic bureau for members as a service in the shipment of their goods and product constitutes the performance of particular services for its members and therefore does not qualify for exemption from Federal income tax as a business league under section 501(c)(6) of the Code. The operation is a clear convenience and economy to them in their businesses, resulting in savings and simplified operations.

Revenue Ruling 74-308, 1974-2 C.B. 168 states, in part, that an organization operating as its primary activity an answering service to member towing companies for an initial fee and monthly charge was providing the organization's members with an economy and convenience in the conduct of their individual businesses and thereby providing particular services for its members as distinguished from the improvement of business conditions in the towing industry.

Based on the information available, it is our opinion that you do not qualify for exemption from Federal income tax as an organization described in section 501(c)(6) of the Code because your activities constitute the performance of particular services for members rather than promoting the common business interest of your members as a whole. Accordingly, we propose to deny your application for recognition of exemption from Federal income tax as an organization described in section 501(c)(6) of the Code.

We have considered your application under other subsections of 501(c) of the Code and you do not qualify.

You are required to file Federal income tax returns annually on Form 1120.

If you are in agreement with our determination, please sign and return the enclosed Form 6018, Consent to Proposed Adverse Action.

[REDACTED]

You have the right to protest this proposed determination if you believe that it is incorrect. To protest, you should submit a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892 (Rev. 8-78), "Exempt Organization Appeal Procedures for Adverse Determination." The appeal must be submitted within 30 days from the date of this letter and must be signed by one of your principal officers. You may request a conference with a member of our Regional Office conference staff when you file your appeal. If a conference is requested, you will be contacted to arrange a date for it. The conference may be held at the Regional Office or, if you request, at any mutually convenient District Office. If you are to be represented by someone who is not one of your principal officers, he must file a proper power of attorney and otherwise qualify under our Conference and Practice Requirements as set forth in section 601.902 of the Statement of Procedural Rules. See Treasury Department Circular No. 230.

If we do not hear from you within the time specified, this determination will become final.

This is a proposed denial letter.

Sincerely yours,

[REDACTED]
[REDACTED]
District Director

Enclosures

[REDACTED]